

Navigating the Korea AGM maze

Persistent challenges related to access, transparency, and voting systems continue to affect AGMs in Korea

- Korea's AGM rules, including the 14-day notice period, fall short of regional standards
- Foreign investors would benefit from detailed English AGM materials and interpretation at AGMs
- Shareholders can use the Commercial Code provision to push for broader cumulative voting adoption among companies
- Effective improvements require support from regulators and also other stakeholders such as proxy advisors, custodians, and the KSD

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November 2024

Summary

This paper examines the complex and persistent challenges that foreign investors face when navigating AGMs in Korea, highlighting long-standing barriers to effective participation. Despite almost two decades of advocacy for reform, key issues such as Korea's 14-day notice period, compressed voting windows, and the overwhelming clustering of AGMs in late March continue to hinder investor participation. These problems are exacerbated for foreign shareholders, who frequently deal with inconsistent meeting logistics, minimal English interpretation, and incomplete or limited company disclosures, leaving them at a disadvantage when making informed voting decisions.

Although Korea has introduced certain reforms—such as optional electronic voting and a revision of dividend record dates—these changes have not been widely adopted. AGMs remain highly concentrated, and transparency around crucial areas like director remuneration and detailed voting results is still limited. Procedural hurdles, including power of attorney requirements, language barriers and coordination among various agencies in different time zones, further complicate the process for foreign shareholders, making effective participation a logistical challenge.

This paper highlights the pressing need for reforms in Korea's AGM and proxy voting system and outlines key efforts to modernize these processes. Reforming the system requires action on two fronts: regulatory amendments by key bodies such as the Ministry of Justice (MOJ), Korea Exchange (KRX), and Financial Services Commission (FSC), and active collaboration with stakeholders like the Korea Securities Depository (KSD), local custodians, and proxy advisory firms. Both regulatory changes and stakeholder engagement are crucial to driving improvement.

Background

In March 2024 ACGA brought a delegation of members to Seoul, with a plan to take part in several AGMs as a feature of the trip. Unfortunately, it soon became clear that many of the obstacles to attendance and voting we identified nearly 20 years ago persist today.

Planning for the meetings was complicated by Korea's 14-day notice rule, with many AGM dates still unconfirmed as of early March, making scheduling difficult. Delegation members also faced inconsistent communication about meeting logistics, and limited English translation services further hindered participation. While some companies addressed these issues once investor interest became evident, the overall experience highlighted the slow pace of reform in Korea's AGM process.

Since 2006, ACGA has been advocating for the modernization of voting and AGM systems across Asia. In our 2006 report, *Voting for Change: Bringing Proxy Voting Systems in Asia into the 21st century*, ACGA looked at proxy voting practices in 10 Asian markets, and benchmarked them against Australia, the UK, and the US. Our criteria included notice given to shareholders, voting windows, clustering of meetings and the availability of translated materials.

At the time we ranked Korea 8th out of the 10 Asian markets, scoring particularly low for the clustering of AGMs and the publication of vote results, and for meeting notice periods and time allowed to vote. It also ranked poorly for the availability of voting information and translated materials.

The experience of the March 2024 delegation suggests little progress has been made.

Notice of AGMs

Under Article 363 of Korea's Commercial Code, companies are required to provide a minimum of 14 days' notice for AGMs—significantly shorter than the 21-day standard in many other markets and the 28-day best practice recommended by ACGA. Due to the way their shares are held, foreign investors in practice face shorter voting time windows compared to their domestic counterparts.

Although the Code of Best Practices for Corporate Governance (CG Code) in Korea encourages companies to provide AGM notice 28 days in advance, most continue to adhere to the statutory 14-day requirement. According to a research analysis titled "Protection of Shareholders' Rights and the Current Status and Challenges at the 2024 General Shareholders' Meeting" by the Korea Capital Market Institute (KCMI), 72.8% of KOSPI-listed companies and 90.9% of KOSDAQ-listed companies issued their AGM notices two weeks in advance. The analysis revealed that only 145 out of 810 KOSPI-listed companies and 50 out of 1,670 KOSDAQ-listed companies surveyed provided their AGM notices four weeks prior in the recent 2024 proxy season.¹

Back in 2019, there was optimism that this issue might be resolved, as the FSC and MOJ introduced nine measures aimed at enhancing AGM transparency and efficiency. Among them was a recommendation to extend the notice period to 28 days. Unfortunately, this proposal was not adopted in the final legislative bill.

¹ <https://www.kcmi.re.kr/flexer/view.php?fid=26979&fgu=002001&fty=004003>

Figure 1

Notice requirement for the release of AGM meeting information across the region

| Market | AGM Notice legal requirement |
|-------------|--|
| Australia | The Corporations Act requires 21 days, but listed companies must meet a 28-day requirement |
| China | Company law requires 20 days notice |
| Hong Kong | Hong Kong-incorporated companies must give 21 days' notice for AGMs and 14 days for other meetings, while secondary listings need only provide "reasonable" notice, usually aligning with the Companies Ordinance. |
| India | 21 |
| Indonesia | 21 |
| Japan | 14 |
| Malaysia | 21 |
| Philippines | The SEC requires 21 days' notice for AGMs, but companies must send a preliminary information sheet to shareholders weeks in advance |
| Singapore | 14 days notice for AGM, 21 days if special resolution |
| Taiwan | The TWSE raised the AGM notice period to 30 days in 2021 for large firms, lowering the threshold to NT\$2 billion in capital by 2023. Currently, 86% of listed companies meet this requirement |
| Thailand | AGM and its resolutions must be given at least 21 days in advance, with an invitation letter sent at least 7 days before the meeting |

Source: ACGA analysis

One ACGA foreign investor member mentioned that because of the short AGM notice period, in certain cases, they are forced to cast their votes without having the opportunity to review the full AGM agenda. For example, when companies propose amendments to their Articles of Incorporation (AoI), they often release only a brief outline of the agenda items without specifying the exact amendments being proposed. As a result, shareholders may need to vote without knowing the details of these changes. In such situations, the member noted that they would typically cast an against vote.

ACGA Recommendations

Improving the regulatory requirements by lengthening the notice period for AGMs would require an amendment to Korea's Commercial Code. This issue would need to be pursued through discussions with the MOJ and ultimately be passed by the National Assembly. In the meantime, companies could be encouraged to align with best practices outlined in the CG Code by issuing AGM notices 28 days in advance.

Another soft approach would involve pushing for an amendment to the Korea Listed Companies' Association's (KLCA) Standard Articles of Incorporation, which have served as the foundation for drafting the Articles of Incorporation (AoI) for companies listed on the KOSPI market. While the Standard Articles of Incorporation is voluntary, KLCA reports that their adoption has been nearly 100%, with companies modifying certain items based on their asset size and specific circumstances. Although these amendments made to the Standard Articles of Incorporation would not be mandatory, the FSC could encourage listed companies to adopt the proposed changes. This method was previously used for the modification of the dividend record date in 2023. The KLCA amended the Standard Articles of Incorporation to improve the dividend distribution procedures first, and this amendment was subsequently incorporated into regulatory change. Alternatively, the Korea Corporate Governance Forum, a local CG nonprofit,

released its Model Articles for Listed Companies in April this year, which includes the four-week AGM notice requirement.

Timing of pre-AGM reports

Due to the timing of reports released, investors, particularly foreign investors, who often face an earlier voting deadline, must cast their votes with either limited or outdated information from these reports.

In Korea, annual reports (also known as business reports) and independent auditor reports are required by law to be published one week prior to AGMs (Article 31 (4) of the Enforcement Decree of the Commercial Code).

A 2024 study conducted by the KCMI shows that the majority of companies —778 KOSPI firms (96.1%) and 1,517 KOSDAQ firms (90.8%)— merely meet the minimum requirement, publishing their business reports only 8-14 days before the AGMs in 2024.²

This tight timeframe is especially problematic for foreign investors, who typically need to cast their votes approximately two weeks before the meeting, meaning they often vote without access to the latest financial information.

In Korea, not all listed companies are required to produce Corporate Governance reports. Currently, only those with assets exceeding KRW 500 billion (approximately USD 360m) on the KOSPI must prepare these reports, leaving about 400 additional companies on the KOSPI, or around 45% of the index constituents, not obligated to do so until 2026. Furthermore, these reports are only published by 31 May, long after most AGMs have taken place. Similarly, sustainability reports are not yet mandatory. Companies that decide to release them typically do so voluntarily in July.

One ACGA member noted that they use information from the Sustainability Report to guide their voting decisions. However, because of the timing of the report's release, the information they rely on is approximately one and a half years old. This is as the proxy season is in March, while the report they refer to is released in July of the previous year and includes data from the year before that.

² <https://www.kcmi.re.kr/flexer/viewdata.php?fid=863&fgu=002003007&fty=004006>

ACGA Recommendations

Fixing the problem by mandating the publication of business and independent auditor reports at least three weeks before AGMs would require an amendment to the Enforcement Decree of the Commercial Code, a change that could be pursued through the Ministry of Justice.

Mandatory sustainability reporting would necessitate the FSC's efforts to advance this requirement. The availability of relevant current information is crucial for investors to exercise their stewardship function appropriately.

Director remuneration disclosure

A further transparency concern is the limited disclosure on director remuneration. According to Article 388 of the Commercial Code, directors' remuneration is set either by the Articles of Incorporation or, if not specified there, by a resolution at the shareholders' meeting. However, shareholders' meetings typically approve only a total compensation limit, which is set by the board of directors. The AGM materials reflect only this aggregate executive compensation limit, without itemizing individual director remuneration.

Under Article 159 of the Financial Investment Services and Capital Markets Act (FISMA), individual compensation figures are disclosed in business reports if a director's pay exceeds KRW 500 million (approximately US\$ 360,000). However, as discussed in the previous section, business reports are only required to be made available one week before the AGM date, often leaving foreign investors without adequate time to review this information before casting their votes.

The lack of detailed disclosure on individual director compensation and the absence of clearly defined standards and calculation methods in AGM materials limit shareholders' ability to assess remuneration practices effectively.

ACGA Recommendations

Beyond just a total pay limit, AGM materials should include individual directors' compensation details, the basis for calculating their compensation, and specifics on equity awards or other benefits. Mandating the disclosure of individual director remuneration in AGM materials would necessitate changes to the Capital Market Act which would need to be undertaken by the FSC.

Voting deadlines

Foreign investors in Korea face earlier voting cut-off dates compared to their domestic counterparts. Typically, foreign investor votes are cast through a proxy advisory firm or global custodian bank, with the KSD responsible for collecting and forwarding these votes to the companies. However, KSD imposes an earlier voting deadline for foreign investors, though the rationale for this remains unclear.

As noted earlier, companies are legally required to issue AGM notices only 14 days before the meeting. ACGA members have reported that, on average, they need to submit their votes 12-14 days prior to the AGM. Foreign investors are often left with approximately 3 - 5 days to review AGM materials, analyse the agenda, and cast their votes. In some cases, our members have had as little as half a day to complete this process.

Figure 2

Sample of voting deadlines and AGM Notices for Listed Companies in the 2024 proxy season

| Company | AGM notice/proxy statement release date | Voting cut-off date set by proxy advisory firm | AGM date | Total number of working days available for voting |
|-----------------------------|---|--|---------------|---|
| Kakao Corp | 11 March 2024 | 18 March 2024 | 28 March 2024 | 6 days |
| HPSP Co Ltd | AGM notice: 18 Feb 2024 Proxy: 14 March 2024 | 19 March 24 | 29 March 2024 | 4 days |
| KINX Inc. | 13 March 2024 | 18 March 2024 | 28 March 2024 | 4 days |
| Park Systems Corp | AGM notice: 18 Feb 2024 Proxy: 14 March 2024 | 18 March 2024 | 28 March 2024 | 3 days |
| JEIO Co Ltd | 13 March 2024 | 18 March 2024 | 28 March 2024 | 4 days |
| BGF Retail Co Ltd | 6 March 2024 | 11 March 2024 | 21 March 2024 | 4 days |
| Hanmi Pharmaceutical Co Ltd | 11 March 2024 | 15 March 2024 | 27 March 2024 | 5 days |

Source: ACGA analysis, KIND

ACGA Recommendations

A potential solution to this issue would be the broader adoption of electronic voting, which could provide more time and flexibility for foreign investors to cast their votes, possibly up until a day before the AGMs. Korea introduced electronic voting in 2010, and its adoption has steadily increased. However, as electronic voting adoption remains optional for companies, data from KCMI shows that 27.7% of KOSPI-listed companies and 77.1% of KOSDAQ-listed companies still have not implemented electronic voting as of 2024.³ Moreover, companies are not required to make electronic voting available at every shareholder meeting.

Additionally, we have heard that overseas institutional investors still face challenges with Korea's electronic voting system due to authentication options limited to Korean nationals. While a 2020 amendment to the Commercial Code expanded verification methods, such as mobile phone authentication, it did not improve accessibility for foreign investors. Enabling foreign access to electronic voting would be essential, as it could help address the short voting window many foreign investors experience.

Legalising virtual AGMs

In 2023, the Ministry of Justice in Korea proposed amendments to the Commercial Act to allow companies to hold virtual Annual General Meetings, responding to the increasing demand for digital alternatives, particularly since the COVID-19 pandemic. The proposed changes enable companies to choose from three meeting formats: in-person, hybrid, and fully virtual meetings. These options must be specified in the company's Articles of Incorporation, with in-person meetings being the default if no format is indicated. However, the amendments do not permit companies to exclude both in-person and hybrid meetings entirely in the Articles of Incorporation. Additionally, the amendments require companies holding virtual

³ https://www.kcmi.re.kr/en/publications/pub_detail_view?year=2024&zcd=002001017&zno=1786&cno=6338

or hybrid AGMs to provide shareholders with the means to participate and vote in real time via digital platforms.

The bill was submitted to the 21st National Assembly but expired in May when the Assembly concluded its session. The same bill is now under consideration in the 22nd National Assembly.

Currently, most companies only offer an online broadcast of the physical event, where participants must submit their questions before entering the webcast. ACGA also took part in an online AGM broadcast as an observer for one of the conglomerates in Korea during our delegation. While the experience was generally positive aside from some lag during the webcast, participants were required to enter their questions on the web platform, with no way to confirm whether the questions had been received.

Clustering of AGMs

According to analysis conducted by global proxy solicitation and advisory firm, Georgeson, during the 2023 AGM season, 72.4% of KRX-listed companies scheduled their AGMs in the last week of March, with 99.7% holding their meetings in March.⁴ In the 2024 AGM season, there was little change, as 97.2% of the 2,480 listed companies that conducted their AGMs between February and March did so between 20 March and 29 March, according to KCMI.⁵

Some companies cite the requirement to have the annual and independent audit reports prepared at least a week before the AGM (mandated by an amendment to the Enforcement Decree of the Commercial Code in 2021) as a reason for clustering meetings in late March. However, AGM clustering has been a longstanding issue in Korea prior to the 2021 amendment. Since 2020, companies have had the option to change their dividend record dates, allowing them to avoid setting these dates at the end of December. This flexibility enables companies to schedule their AGMs in April as the Commercial Code mandates that companies hold their AGMs within three months of the dividend record date. This regulation was part of a broader regulatory effort to decentralize AGMs.

However, data from the KCMI show that for the year ending 2022, 76.5% of KOSPI-listed companies and 60.8% of KOSDAQ-listed companies still set 31 December as their dividend record date. This legally requires them to hold AGMs by the end of March.⁶ The clustering of meetings limits investors' ability to attend and actively engage in multiple AGMs, especially foreign investors managing portfolios with multiple Korean holdings. It would be beneficial for shareholders, in particular institutional investors, if companies took advantage of this legislative change and staggered AGM dates over the year.

ACGA Recommendations

In 2019, the introduction of daily quotas for annual meetings was one of nine measures proposed by the FSC and MOJ on AGMs. However, this proposal was ultimately not included in the final legislation. The FSC could take the initiative on this matter by introducing a new provision in the Capital Markets

⁴ https://content-assets.computershare.com/eh96rkuu9740/3RJmP2lff5KQGagKhmtlR/83051b5fc4f88294a45e2d1cdb3d4833/301803_KOREA_2023-AGM_Season_Review_V4.pdf

⁵ <https://www.kcml.re.kr/flexer/view.php?fid=26979&fgu=002001&fty=004003>

⁶ Data provided by Hwang Hyunyoung, Capital Market Research Fellow of the Korea Capital Market Institute

Act that limits the number of companies allowed to hold an AGM within a specific timeframe, such as a particular date or week, as originally suggested in 2019.

In Taiwan, the Financial Supervisory Commission in 2010 capped the daily number of annual shareholder meetings of listed companies at 200. The number was then reduced to 120 in 2012, and to 100 in 2015. This helped reduce the likelihood of companies clustering to evade shareholder oversight. Singapore, in its Guide on Best Practices for Shareholder Meetings of Listed Companies, requires large-cap companies to schedule AGM times with SGX, which would then inform them if the desired date has already been taken by another primary issuer. Similar steps could be taken by the FSC to address this issue in Korea.

AGM attendance requirements

Attending AGMs in Korea requires navigating a set of rules and procedures. For foreign investors, a key part of the process involves coordination with three to four parties, including the local custodian banks, proxy advisory firms and the company. For example, a foreign investor in the United States may have to work with their custodian bank in the United States, which then communicates with the local custodian banks in Korea that hold their shares, which then communicate with the company in Korea to prepare for all the required documents for attendance.

Some members have mentioned that even investor relations teams within companies may not always be familiar with the requirements and often need to consult with their legal departments, leading to further delays.

In order to attend an AGM, foreign investors need a Power of Attorney (PoA) authorizing them to represent their firm (an ACGA member noted that some companies require two PoAs: one from the investor's firm to the custodian bank and another from the custodian bank to the investor attending the AGM). However, the authority to issue the PoA varies by company: some companies require the CEO or COO to sign, while others offer more flexibility. This can create challenges for investors in large organizations where getting the necessary signatures from top executives within tight timeframes is difficult. The language and accuracy of the documentation can also pose challenges. PoA documents must be carefully filled out, specifying the correct names of custodian banks and the number of shares held. Even minor errors can result in rejection.

Another issue involves attendance cards issued by local custodian banks. Depending on how these cards are prepared, investors may face restrictions on their ability to speak at AGMs. For instance, if the default language on the card indicates the investor is only attending to observe, they may not be permitted to speak unless the custodian bank is explicitly instructed otherwise. Clear communication with the custodian bank is essential to ensure the correct permissions are granted.

Additionally, some companies prefer to receive hard copies of these documents. This would require investors to go to the custodian banks physically to obtain the documents, adding another layer of complexity to the already time-sensitive process.

For investors to avoid last-minute issues, it is advisable to send all necessary documents—attendance cards and PoAs—to the company in advance and ask if there are any concerns. If problems arise, resolving them may require the involvement of multiple custodian banks, causing potential delays.

ACGA Recommendations

Foreign investors appreciate a prompt response from companies when they inquire about specific requirements for AGM attendance. Companies should be willing to accept a digital copy of the attendance card, as this is at the companies' discretion and would ease having required documents for shareholders to attend the meeting.

Board attendance and English translation at AGMs

One feature of the AGMs we found was that not all board members were consistently present. In many cases, the CEO presided over the AGM instead of the Chair of the Board, and outside directors were frequently absent. When our investor members raised the issue with companies, they expressed surprise, explaining that it is customary in Korea for the CEO to chair AGMs. The Commercial Code leaves the decision as to who chairs the AGM to individual companies. Article 366-2 specifies that the chairperson is to be appointed according to the Aol or by the shareholders' general meeting.

As part of CG Watch 2023 we reviewed 15 large cap companies in Korea. A review of their Aols revealed that most designate the Representative Director, which is typically the CEO, as the chair of the AGM. Currently, there is no legal requirement for outside directors to attend AGMs. Neither the Commercial Code nor the Code of Best Practices for Corporate Governance mandates their presence.

AGMs in Korea are also not particularly accommodating to foreign investors, many of whom do not speak Korean. Some of our members reported being informed by companies that no English interpretation would be provided at the AGM and that they were not allowed to bring along an interpreter who is not a shareholder (although one company did offer translation on the day of the meeting).

Among the 15 companies we reviewed, only Hyundai Glovis explicitly stated that its AGM would be conducted in both English and Korean, with English translations of AGM documents made available to foreign shareholders.

Another issue our members encountered was the lack of detail in AGM notices provided in English. For most companies, the English version only includes basic information, such as agenda item headlines, meeting time, venue, and logistical details under the "Decision on Calling Shareholders' Meeting" section. It lacks detailed information on each agenda item found in the Korean version of the notice. While large-cap companies tend to translate AGM materials, many small-cap companies provide only minimal information in English.

Despite the requirement for English-language disclosures starting 2024 for KOSPI-listed companies with assets exceeding KRW 10 trillion (approximately USD 7 billion), AGM materials and agendas are not currently mandated to be included. As a result, many companies still do not provide English translations of their full AGM agendas.

ACGA Recommendations

Investors could push companies to amend their Aols to stipulate the chair of the board must preside over AGMs, and that independent directors attend. KRX could also alleviate some of the translation issues by mandating English translations of AGM notices, agendas, and minutes.

Asking questions at AGMs

At some AGMs, investors are restricted to asking questions that relate only to resolutions under discussion. AGM agendas often fail to indicate whether there will be a designated time for a question-and-answer (Q&A) session. Anecdotally we know of incidents where investors, attempting to raise questions during the resolution discussions, have been interrupted. These shareholders explain that no dedicated time for Q&A was provided, making them feel compelled to use any opportunity to question the board.

While Article 366-2 of the Commercial Code empowers the AGM chairperson to "maintain order" by instructing individuals who "intentionally disrupt the order by speaking or acting for a filibuster" to stop speaking or leave the meeting, there is no clear legal provision that explicitly grants shareholders the right to speak and ask questions. The CG Code does acknowledge that "the general meeting of shareholders is the most effective forum for gathering the views of the majority of shareholders as the most direct communication channel" and affirms that shareholders' rights to vote and participate in AGMs are fundamental rights inherent to their shareholder status. However, the CG Code does not explicitly address shareholders' rights to speak or ask questions during AGMs.

ACGA Recommendations

Investors could press companies to ensure AGMs include a designated Q&A session in the agenda or seek law reform (an amendment to the Commercial Code) which would formally give shareholders the right to speak at meetings.

Voting results

Korea has no rule mandating the prompt release of voting results after an AGM. While companies with assets exceeding 500 billion KRW (USD360m) that are subject to the Corporate Governance Report disclosure requirement must report these results, they are typically not published until end of May, roughly two months after the AGMs. Compounding the issue is the fact that not all listed companies in Korea are required to file CG reports. Currently as of 2024, there are still about 400 KOSPI-companies that are not subject to the CG report disclosure requirement.

The quality of corporate website disclosures also varies. The Act on Corporate Governance of Financial Companies in Korea requires only financial companies to disclose the percentage of votes in favour and against after AGMs on their corporate websites. Some companies provide detailed downloadable PDFs with full voting results for each resolution, while others offer only simplified tables showing the percentage of votes in favour of each resolution and the total number of shares represented at the meeting. It would improve transparency if full and prompt disclosure was mandatory for all listed companies in Korea.

ACGA Recommendations

All listed companies should publish clear voting results, including the percentage of votes in favor and against, immediately following their AGMs. This practice is a common requirement both regionally and globally. While this requirement could easily be incorporated into the KRX disclosure rules (KOSPI Market Disclosure Regulation/KOSDAQ Market Disclosure Regulation), it would necessitate an approval by the FSC.

Vote counting

An issue identified during this year's AGM season related to cumulative voting, particularly around whether votes were properly counted and included. A notable example was JB Financial Group's 2024 AGM, where five directors were up for appointment. Align Partners, a Seoul-based activist fund and an ACGA member, successfully nominated two outside director candidates, both of whom were elected via the cumulative voting system. However, despite this success, Align Partners highlighted technical issues during the voting process, especially for overseas shareholders using proxy voting services.

Proxy systems did not provide the necessary cumulative voting option, which allows shareholders to allocate their voting rights numerically across multiple candidates rather than simply casting a vote of approving or not approving individual candidates. As a result, out of 844,738,755 eligible votes for the agenda item, only 793,418,769 votes were counted, leaving 51,319,986 votes "compromised"—most of which belonged to overseas shareholders.

Foreign investors often cast their votes through proxy voting advisory firms, yet some firms appear to lack a thorough understanding of how cumulative voting operates in Korea. Their systems were not equipped to handle the necessary calculations, leading to the exclusion of many votes cast under the cumulative voting process.

Other ACGA members have reported similar issues in past proxy seasons, where they were unsure whether their votes were accurately captured. One ACGA member shared that for cumulative voting, particularly in contested director elections, they often had to manually instruct proxy voting firms on how to split and cast votes. This required sending detailed instructions via email to ensure the proper allocation of votes.

Under Korea's Commercial Code (Article 382), shareholders holding at least three percent of total issued shares (excluding non-voting shares) may request the use of cumulative voting for director appointments, unless otherwise stipulated in the company's Articles of Incorporation. However, since companies are allowed to opt out of the cumulative voting system, its adoption remains limited in Korea.

ACGA Recommendations

While cumulative voting may not be favored in certain jurisdictions, it serves as a critical tool for minority shareholders in Korea, particularly during director elections. Wider adoption would help protect minority shareholders' interests by enhancing their role in corporate governance. However, this would require amendments to the Commercial Code, which needs National Assembly approval.

Alternatively, shareholders can also take advantage of Article 542-7 of the Commercial Code: if a company intends to make revision to its adoption or exclusion of cumulative voting in the company's Aols, this agenda item must be voted on separately and shareholders' voting rights is capped at 3%. In the meantime, proxy advisory firms in Korea also need to update their systems to support the cumulative voting process.

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